

70

COPY NO.

~~SECRET~~

RECORD COPY

RECORD COPY

RECORD COPY

WEEKLY SUMMARY



Number 104

26 MAY 1950

Document No. 001

NO CHANGES in Class. ☐

☒ DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 31-1-78 By: 013

F-28

CENTRAL INTELLIGENCE AGENCY

Archival Record

Return to Archives & Records Center

Immediately After Use

~~SECRET~~

35021

1. This publication contains current intelligence exclusively and therefore has not been coordinated with the intelligence organizations of the departments of State, Army, Navy, and Air Force.
2. This copy may be either retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency.

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

SECRET

C O N T E N T S

	Page
H I G H L I G H T S.....	1
W E S T E R N E U R O P E	2
N E A R E A S T - A F R I C A	5
F A R E A S T.	6
W E S T E R N H E M I S P H E R E	10

SECRET

SECRET

H I G H L I G H T S

In the lull following the recent London meetings, the world developments which bear most directly upon US security interests have consisted of new indications of Great Britain's still precarious economic position, a steady deterioration of the Iranian economy, and the beginnings of a regional non-Communist approach to Far Eastern economic and political problems.

The London meetings, although leaving some major controversial issues unresolved, made strides toward the concept of effective coalition through broad and continuous coordinated planning on all fronts--economic, diplomatic, and propaganda as well as military (see page 2).

The decline of British foreign trade in April and a rise in industrial prices will almost certainly produce some wage increases, adding to inflationary pressures and weakening the competitive position of British exports (see page 4). In Iran, continuing economic difficulties are threatening the country's internal stability at a time when the USSR once again appears to be entering a phase of intensive diplomatic and propaganda pressure (see page 5).

At the recent Commonwealth consultative conference at Sydney, the UK representatives were successful in opposing a grandiose Australian program for aid to Southeast Asia and were able to concentrate the attention of the conference upon making a modest first step toward regional cooperation in bolstering the area against Communist aggression. The Baguio Conference of Asian nations, which convenes on 26 May, will be careful to avoid aligning itself directly with either the Soviet or the Western bloc (see page 6).

SECRET

WESTERN EUROPE

London Conference Although the London Conference of Foreign Ministers and the North Atlantic Council meeting did not result in full agreement on all major controversial issues confronting the Western Powers, the ministers did accept the principle that effective coalition in the context of the cold war requires broad and continuous coordinated planning on all fronts--economic, diplomatic, and propaganda as well as military. Moreover, in reviewing the world situation, the conferees were able to define and narrow their differences and produce an atmosphere which should make it easier to progress toward closer agreement on such controversial and vital issues as the problem of building adequate military strength without impairing economic stability, the status of West Germany, and the emancipation of colonial peoples. Probably the outstanding by-product of the meetings was the French proposal for pooling France-German coal and steel resources. This one bold act served to capture the imagination of Europeans, offering a concrete program of action in harmony with the broad objectives enunciated at the conference.

SECRET

East-West Trade Recent Soviet-Satellite actions concerning East-West trade relations and European railway agreements illustrate Soviet obstructionist and harassment tactics in dealing with the West and could lead to a drastic curtailment in East-West trade.

The work of the trade and agriculture committees of the Economic Commission for Europe (ECE), which were established largely upon Soviet initiative, has been effectively deadlocked by Soviet refusal to furnish necessary information and by Soviet use of the committees as platforms for propaganda attacks against the West. The trip to Moscow by the Executive Secretary of ECE, in an attempt to break the deadlock, apparently did not meet with success; the USSR will probably continue to attack the West and to display a negative attitude at the next ECE session beginning 31 May. In the face of this attitude, the Western Powers will refuse to go on with the frustrated work of the trade and agriculture committees and leave the next move, if any, to the USSR.

The abrupt walkout of two Satellite delegations from the meeting of the Preparatory Commission considering revision of the Berne Convention (which governs the international movement of railway freight and passenger traffic in Europe) is another demonstration of Soviet obstructionism and of the Soviet program of isolating the Satellites from the West. If the Satellites actually withdraw from the Convention, Soviet control over Satellite import-export traffic would greatly increase. Moreover, Western shippers, lacking the legal protection of the Berne Convention, would be forced to obtain from the Satellites specific legal commitments or guarantees for each shipment--a situation which would discourage and perhaps eventually curtail East-West trade.

SECRET

BELGIUM

Leopold Issue The anticipated victory of the pro-Leopold Christian Social Party in the 4 June elections is not likely to result in an early clarification of King Leopold's status. The coming election campaign will be waged almost exclusively over the royal issue, and will thus tend to favor the Christian Social Party, which will attract some pro-Leopoldists who, in the 1949 elections, were more concerned with other issues and voted for the Liberal Party. Efforts to form an all-Catholic Government are therefore likely. Even if such a government is formed, any efforts on its part to restore Leopold on his own terms would be opposed by some Christian Socialists, who would be reluctant to antagonize the Liberal and Socialist parties and thereby run the risk of further intensifying the political tensions dividing the country.

UNITED KINGDOM

Economic Trends British economic prospects took a turn for the worse during April, emphasizing once again the precarious state of Britain's economic position. Exports and re-exports fell from the March high of £191 million to 156 million, while imports dropped proportionately less, leaving a visible trade deficit of £55 million. Exports to the US fell to \$15.6 million, a sharp drop from the \$19.7 million in March and the lowest figure since October 1949. Industrial production continues high, but in April the wholesale price index rose 4.4 points to a new peak. Faced with rising prices, labor is becoming more restive under the government's hold-the-line wage policy, and some increase in wages is considered inevitable. Such a step would add to inflationary pressures, further raise the prices of British industrial products, and weaken the competitive position of British exports.

SECRET**N E A R E A S T - A F R I C A****IRAN**

Economic Troubles Continuing economic difficulties in Iran are threatening the country's internal stability and weakening Iranian capabilities to resist increased Soviet pressure. Expensive emergency relief measures, instituted several months ago and still in progress, have apparently exhausted both the national treasury and the Seven-Year Plan funds, and unless this year's harvest is sufficient to meet the country's needs, the situation will become exceedingly grave by winter. Moreover, Iran's balance of payments, which has been favorable for a number of years, shows a deficit of \$32 million for the year 1949-50 and is expected to show a similar deficit for 1950-51. This imbalance is the result of sharply declining exports, emergency grain purchases, and an excessive importation of manufactured goods, many of them luxury items. The Anglo-Iranian Oil Company (AIOC) has reportedly agreed to advance \$16.8 million in oil royalties to Iran and, if Iran were to ratify the pending AIOC agreement, the company would pay enough to give the country a surplus of some \$26 million on its balance of payments for the year 1950-51. Since it is unlikely that the agreement will be ratified in the near future, however, cuts will probably have to be made in relief and development projects.

In addition to these internal difficulties, Iran is facing increased diplomatic pressure from the USSR. A Soviet note on 14 May renewed charges, first made on 31 January 1948, that American activity on the Soviet-Iranian border was "incompatible with good neighborly relations between the USSR and Iran," and again intimated that the 26 February 1921 treaty might be invoked to justify Soviet intervention in Iran.

- 5 -

SECRET

SECRET

F A R E A S T

Baguio Conference The Baguio Conference of Asian nations, which will be convened on 26 May to discuss a non-Communist regional association to promote common interests and preserve freedom, will probably carefully avoid any actions which could be interpreted as alignment either with the Soviet or Western bloc. Plans to hold the conference were begun in August 1949 after Philippine UN Representative Carlos Romulo had extricated President Quirino from commitments to a regional anti-Communist military pact, which Quirino and Chiang Kai-shek had jointly proposed. While Romulo has carefully avoided reference to military commitments in presenting the revised proposal to other Asian nations, the Philippine Government apparently hopes that any emergent consultative machinery will ultimately consider general security measures for all participants. Romulo encountered difficulty in persuading India and Australia to participate; India, because of Prime Minister Nehru's desire that India remain a "third force" in the cold war, and Australia because of its primary interest that the US be included in any security pact. The conference will probably discuss economic development plans and a cultural exchange program and common nationalist sentiment may result in declarations that a greater measure of independence be granted to Indochina.

Sydney Conference The recent Commonwealth consultative conference at Sydney demonstrated the Commonwealth's interest in developing Southeast Asia's ability to resist the Communist threat. The conference agreed to establish permanent machinery to plan and administer economic aid to the area, and, as a token gesture, allocated immediate

SECRET

aid in the form of a £ 3 million technical assistance fund. The permanent machinery for aid will consist of a central secretariat of economic experts from the various Commonwealth nations who will collect information on development plans and receive applications for aid. The conference strongly emphasized that prospective recipients of aid must rely on self-help and non-Commonwealth forms of aid to the greatest extent possible; Commonwealth funds will not be granted until other sources have been exhausted. The conference also agreed in principle to a capital investment fund and a program to provide long-range planning along OEEC lines. The conference was not a success from the Australian point of view, since Australia had hoped to gain prestige as a leader in Asia by achieving agreement on a larger immediate aid program. It was, however, successful in terms of UK policy, which was to avoid grandiose commitments such as only the US could fulfill and to concentrate instead on a modest first step toward regional cooperation to bolster the area against Communist aggression.

UK-Chinese Relations The establishment of normal diplomatic relations between the UK and the Chinese Communist regime is currently being blocked both by Communist indifference and by the stiffer British attitude, particularly in connection with the disputed Communist aircraft in Hong Kong. The Chinese Communists are delaying negotiations partly because the UK has thus far abstained from voting on the question of Chinese Communist representation in the UN and partly because the British, after insistent US pressure, have for the time being prevented the Communists from acquiring the remainder of the Chinese Nationalist aircraft and aircraft parts in Hong Kong. The recent statement by Foreign Secretary Bevin

SECRET

SECRET

indicating British willingness to seat the Chinese Communists provided the USSR returns to the UN is not likely to cause an early break in the present stalemate; regardless of British actions at the UN, it will be some time before voting alignments will change sufficiently to allow seating the Chinese Communists.

BURMA

Chinese Relations The Chinese Communists, after long delays, have apparently decided to establish diplomatic relations with the Burmese Government. Aware that Communist military defeats in Burma make it impossible to recognize a Communist regime there, the Peiping Government has evidently decided that a Communist diplomatic mission in Burma offers the most immediately effective means of extending Communist influence and undermining the Burmese Government. Such a mission would be able to exert influence on the harassed Marxist-influenced government, other left-wing non-Communist groups, and the overseas Chinese community. Moreover, the Peiping regime would use its mission in Burma to facilitate the movement of material supplies to insurgent Communist groups. Although establishment of diplomatic relations would not result in the early overthrow of the Burmese Government, it would add to the government's problems and hamper the development of a pro-Western policy.

SECRET

INDONESIA

Soviet Relations The Indonesian mission to Moscow to discuss the exchange of diplomatic missions with the USSR returned to Jakarta without satisfaction of Indonesia's primary objective: to obtain a guarantee that the USSR would offer no objection to Indonesia's admission to the UN. Both parties agreed that each country should send one representative to the other's capital to make arrangements for the actual exchange of missions, but Soviet verbal assurance of non-opposition to Indonesian membership in the UN was far from the specific commitment sought by the Indonesians. Leading Indonesian officials feel that their country should not accept a Soviet Embassy until the USI has actually been accepted in the UN.

SECRET

WESTERN HEMISPHERE

Democracy Group The Inter-American Association for Democracy and Freedom recently established at Havana has good prospects of surviving and could become an effective instrument for influencing public opinion. It already has the support of the Uruguayan democratic group (Junta Americana de Defensa de la Democracia), the AF of L, the CIO, and prominent individuals from many countries. Its success will depend primarily upon the extent to which it is supported in the larger countries such as Brazil and Mexico. As an organization opposed to imperialism and critical of dictatorships both of the right and the left, it could serve to counter Communist propaganda and to promote US objectives for the strengthening of democratic processes in Latin America.

BOLIVIA

Political Stability Although the Bolivian Government was able to quell the latest revolutionary threat, its continued stability remains precarious. The revolt, which saw approximately 100 persons killed, was supported by both the rightist MNR and the Communist-dominated PIR and was put down only because the army remained loyal to the government. By declaring a state of siege and granting a general wage increase, the government has strengthened its capabilities for eradicating organized Communism and has somewhat alleviated worker dissatisfaction, but the basic causes of unrest in Bolivia remain. General economic difficulties, caused primarily by the low world price of tin, have prompted the government to take drastic measures which have met with strong opposition from mine operators, labor, importers and exporters, and the general public.

- 10 -

SECRET

SECRET

DISTRIBUTION

1.	The President
2,64.	Secretary of State
3,4,78	Secretary of Defense
5.	Secretary of the Army
6.	Secretary of the Navy
7.	Secretary of the Air Force
8,70.	Chairman, National Security Resources Board ✓
9,71.	Executive Secretary, National Security Council
10.	Assistant Secretary of the Navy for Air
11,69.	Chief of Staff, US Army
12,13,14.	Chief of Naval Operations
15,16,17.	Chief of Staff, US Air Force
18.	Assistant Chief of Staff, G-3, Operations
19.	Deputy Chief of Staff (Operations), US Air Force
20.	Deputy Chief of Naval Operations (Operations)
21.	Director of Plans and Operations, US Air Force
22,23,24.	Special Assistant, Intelligence, Department of State
25,26,27,28,29, 30,31,32,33,34	Assistant Chief of Staff, G-2, Intelligence
35,36,37,38,39, 40,41,42,43,44	Director of Navy Intelligence
45,46,47,48,49,72, 73,74,75	Director of Intelligence, Headquarters, USAF
50.	Director of Intelligence, Atomic Energy Comm.
51.	Executive Secretary, Military Liaison Committee, Atomic Energy Commission
52,53,54,55,56. . .	Chief, Acquisition & Distribution Div., OCD, State
57.	Director, Federal Bureau of Investigation
58.	Secretary, Joint Chiefs of Staff
59.	Chief, Policy Planning Staff, Department of State
60.	Secretary of State (Att: Policy Reports Staff)
61.	Deputy Director for Intelligence, The Joint Staff
62,63.	Secretary, Joint Intelligence Group, Joint Staff
65.	US Air Force Representative on Joint Strategic Survey Committee
66,76,77.	Director, Armed Forces Security Agency
68.	Administrator, Economic Cooperation Administration

SECRET

Document No. 001
NO CHANGE in Class. ☐
☒ DECLASSIFIED
CLASS. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100
Auth: 1
Date: 31-1-78 By: 013

~~SECRET~~